OFFICE OF THE
Auditor General
of British Columbia

NEWS RELEASE

For Immediate Release
March 30, 2006

Auditor General seeks further improvements in performance reporting to strengthen government accountability

VICTORIA – The Auditor General Wayne Strelioff today released his fifth annual assessment of the quality of government's performance reporting, entitled "Building Better Reports: Our Assessment of the 2004/05 Annual Service Plan Reports of Government." The assessment covers annual reports of 20 selected ministries and Crown agencies, as well as the government-wide Strategic Plan Report.

"I felt it was appropriate to look back at what progress has been made, and to what else should be done to give the people of British Columbia and their elected representatives a more complete picture of how government is performing," said Strelioff

Since government committed ministries and Crown agencies to publish annual reports in 2000 significant progress has been made. However, there is still a long way to go. "We are seeing the gap widen between the quality of ministry and Crown agency reports" said Strelioff, "While some Crown agency reports are coming close to telling a complete performance story, ministry reports and the government-wide report continue to fall well short." He went on, "At the current pace of change, fulsome and transparent reporting on government's performance is still several years to come."

This year's assessment selected those organizations that will be significantly involved in delivering services covered by government's "Five Great Goals", announced in February 2005. The report moves the focus to overall themes emerging from the individual assessments. "Government is complex" said Strelioff, "legislators and the public need information on results that clearly shows whether government's stated priorities are being delivered, regardless of which organizations are delivering them."

Strelioff concluded "In my report I've acknowledged that BC has come a long way in a short time. However, there are further changes that need to be made to ensure BC remains ahead of the curve."

-30-

2005/06 Report #10 - Building Better Reports: Our Review of the 2004/05 Annual Service Plan Reports of Government.

This report is available:
On the Internet at the Office of the Auditor General homepage: http://bcauditor.com/AuditorGeneral.htm

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Toll-free enquiries by dialling *Enquiry BC* at 1 800 663-7867 (in Vancouver 604 660-2421) and requesting a transfer to 387-6803.

Auditor General Wayne Strelioff's 6 Recommendations for Building Better Reports

We recommend that:

1. Government clearly explain in its plans and reports which organizations are delivering its priorities and how an overall picture of their performance is provided.

2. All government organizations produce annual plans and reports, and that government consider providing reports on the performance of all of these organizations to committees of the Legislative Assembly.

3. All government organizations meet the reporting principles endorsed by the Public Accounts Committee.

4. The annual reports of all ministries and Crown agencies go to committees of the Legislative Assembly.

5. Improved financial information is included in the government-wide and ministry annual reports, and in a way that links it more effectively to non-financial performance.

6. A senior government official is made executive sponsor for performance reporting across government, and that the BC Reporting Principles become a part of the way government is managed on a day-today basis.

OFFICE OF THE
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of British Columbia

BACKGROUNDER

March 30, 2006

Building Better Reports: Our Assessment of the 2004/05 Annual Service Plan Reports of Government

What are the Annual Service Plan Reports of Government?

The *Budget Transparency and Accountability Act* requires ministries and certain government organizations to issue each year:

- a service plan, identifying goals, objectives and performance measures, and
- an annual report, comparing actual results with those expected in the service plan.

All ministries and most Crown agencies are required to issue these plans and reports.

Why are they important?

The responsibilities of Government are broad and diverse, covering a wide range of activities that affect the everyday lives of all citizens. Government is large and complicated and spends significant amounts of public money.

Good performance reporting provides ongoing accountability, describing:

- what government is doing;
- why government is doing it;
- how much it cost;
- what was achieved as opposed to what was planned;
- how performance compares with that in the past and with that of others; and,
- what government plans to deliver in the future.

Reporting should also outline the circumstances and rationale behind policy and spending priorities, explaining why government chose to focus on those particular areas.

The reporting of performance in the public sector is more important than financial reporting alone. This is an age of increased sensitivity about what public money was spent on and whether value for money was achieved.

Why does the Auditor General assess Annual Service Plan Reports?

It is the responsibility of each ministry and Crown agency to report comprehensive, high quality performance information. The Auditor General is committed to helping ensure legislators and the public receive the best information possible for assessing the performance of government. Our yearly assessment of the quality of the annual service plan reports is one way we contribute to this goal.

.... Page 2

This year's report includes the assessments of 14 ministries and 6 Crown agencies significantly involved in delivering services covered by government's new "Five Great Goals". It focuses more on the "big picture" of how provincial government delivers on its plan through a wide variety of organizations.

How does the Auditor General assess the quality of reporting?

The Auditor General used the BC Performance Reporting Principles. Reporting principles serve as a guide to help government know what it should report to the public each year about the planned and actual performance of ministries and Crown agencies.

In British Columbia, government, the Public Accounts Committee and the Auditor General agreed – in October 2003 – that the BC Reporting Principles should form the basis for how service plans and annual service plan reports are written and assessed.

This consensus means there is agreement about the basis on which the provincial government should tell its performance story.

Why is having these reporting principles important?

The agreement on the BC Reporting Principles is significant because it means the debate is no longer about what constitutes good public accountability. Efforts can now be focused on achieving it, and on delivering the quality of information needed to assess government's performance.

2005/2006: Report 10

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Our Assessment of the 2004/05 Annual Service Plan Reports of Government

March 2006

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The Honourable Bill Barisoff
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
V8V 1X4

Dear Sir:

I have the honour to transmit herewith to the Legislative Assembly of British Columbia my 2005/2006 Report 10: Building Better Reports: Our Assessment of the 2004/05 Annual Service Plan Reports of Government.

Wayne Strelioff

Wayne Strelioff, FCA
Auditor General

Victoria, British Columbia
March 2006

copy: Mr. E. George MacMinn, Q.C.
Clerk of the Legislative Assembly

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Auditor General's Comments

Wayne Strelioff, FCA
Auditor General

This report represents my Office's fifth annual assessment of the quality of public performance reporting in British Columbia. It is also the third annual assessment of reporting against the BC Reporting Principles. This appears an appropriate juncture to look back at the progress that has been made, and to look forward to where performance reporting in British Columbia needs to go from here.

Overall, I consider that the progress to date in public performance reporting in British Columbia has been significant, but there is still a long way to go to meet the future needs of legislators, the public and, indeed, government itself.

With the passing of the Budget Transparency and Accountability Act in 2000, government committed ministries and Crown agencies to publishing annual service plans and annual service plan reports to tell the public what they intended to do and what they actually achieved. Since then, performance reporting has benefited from a common understanding—captured in the BC Reporting Principles—of the "fundamentals of meaningful performance reporting."[1] This in turn has been supported with a four-stage learning model to assess the extent to which the principles have been incorporated into each organization's report. Using the learning model, my Office's annual assessments have shown a tangible improvement in the quality of reports over time.

My focus until now has been primarily on performance reporting by individual organizations. However, government is complex, with a broad range of responsibilities. Ministries and Crown agencies represent but one way of organizing and delivering the myriad services government is accountable for. Even these organizations do not tell the whole story. School boards, health authorities, universities, colleges and others also play an essential role. So, to truly understand how government is performing, legislators and the public need information on results—that is, how government's priorities are being delivered on , regardless of which organizations are delivering on them.

[1] See *Performance Reporting Principles for the British Columbia Public Sector: Principles Endorsed by the Government, Select Standing Committee on Public Accounts and the Office of the Auditor General of British Columbia* (November 2003).

Auditor General's Comments

In February 2005, government announced its "Five Great Goals", which provide a new strategic framework against which to assess and report performance. This has also provided me with an opportunity to look at what government needs to do if it is to report meaningfully against its priorities.

As part of the transition in my Office's approach to assessing the quality of performance reporting, we selected annual reports for organizations that will be significantly involved in delivering services covered by the five goals. Consistent with this approach, the analysis of our review has focused on overall themes emerging from our assessments, rather than on the performance reports of individual organizations.

Our analysis shows that while Crown agency performance reports continue to improve, the results across government are disappointing. Government's annual strategic plan report continues to fall well short of the BC Reporting Principles, and we assessed it as being of a lower quality than it was two years ago. Ministry annual service plan reports show a slight improvement, but are also well below the standard called for by the BC Reporting Principles. Currently, the higher up the level of summary reporting, the further away it is from meeting the agreed standard.

I strongly believe that only a report that satisfies all of the BC Reporting Principles can fully provide the information necessary to hold government to account for its performance. These are not being produced at present.

We recognized, in designing our learning model approach, that it would take several years for government reports to incorporate the reporting principles. However, given the current pace of change, I realize that other approaches may be needed if we are to see this initiative adopted in earnest:

- Currently, the BC Reporting Principles are endorsed by the Select Standing Committee on Public Accounts. *Now is the time to make it a legislated requirement that all annual service plan reports meet the reporting principles.*
- Currently, only some performance reports are scrutinized by legislators. *Now is the time to require that reports covering all of government's performance be scrutinized in the Legislature.*
- Currently, only ministries and Crown agencies are required to publish annual service plans and service plan reports. *Now is the*

time to require all public sector organizations to report publicly on their performance.

Good performance reporting is a key ingredient of open and accountable government. It is also a means of helping government manage effectively the resources entrusted to it. With the full commitment of all those involved, I believe much stronger performance management and accountability can be achieved.

Wayne Strelioff, FCA
Auditor General

Victoria, British Columbia
March 2006

Introduction

Government uses public resources to deliver services on behalf of the public and in the public's interests. As a result, government must be held to account for its performance: that is, that it be able to report fully how and why public money is spent and to what effect.

Good performance information is an invaluable tool in helping government to manage. With good information government can assess whether it has met its objectives and decide where finite resources should be allocated.

This is the fifth year we have assessed the quality of performance reporting in British Columbia. Since we started in 2000/01, the Province has developed and agreed on a set of performance reporting principles – an effort that has put it in the forefront of public sector performance reporting in Canada. But how far has the Province really come over the last four years, and where does it go from here? In this report, we look again at progress made in this important area and suggest how British Columbia's public performance reporting needs to evolve if it is to meet the future needs of the public, legislators and government itself.

Why Performance Reporting Is Important

The responsibilities of government are broad and diverse, covering a wide range of activities that affect the everyday lives of all citizens. Government is large and complicated and spends significant amounts of public money. While government is directly accountable at the ballot box, good performance reporting provides ongoing accountability, describing: what government is doing; why government is doing it; how much it cost; what was achieved as compared to what was planned; how performance compares with that in the past and with that of others; and what government plans to deliver in the future. Such reporting should also outline the circumstances and rationale behind policy and spending priorities, explaining why government chose to focus on those particular areas.

The reporting of performance in the public sector is more important than financial reporting alone. This is an age of increasing sensitivity about what public money was spent on and whether value for money was achieved. Good performance reporting

requires the linking of financial data to non-financial information. It means reporting results in terms of outcomes and efficiency measures, not only in terms of the resources used or units produced. Thus in education, for example, it means reporting on the learning acquired by our children and the resources used to achieve that learning, not simply reporting on the number of dollars spent to operate a school or the number of teaching hours provided.

Performance Reporting in British Columbia

Recognizing the importance of performance reporting, three parties in British Columbia—government, legislators and the Auditor General—reached agreement in October 2003 on a set of reporting principles for the public sector. Those principles were designed to help public sector organizations meet their statutory duty under the Budget Transparency and Accountability Act to publish annual service plans (what they plan to do) and annual service plan reports (what they actually did).

The BC Reporting Principles are generally consistent with the performance reporting guidance being developed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The PSAB principles are intended for use across the public sector in Canada, at both the government-wide and individual entity level.

The BC Reporting Principles

The BC Reporting Principles are designed with three tenets in mind:

- To support open and accountable government—one that clearly communicates to the public what government is trying to do and what it actually achieves.
- To provide a framework for learning organizations—to clarify reporting requirements and encourage sound reporting, building on best practice in public reporting.
- That those using performance information should understand the basis on which reports are prepared and should be able to assess the quality of the reporting they receive.

What Are the BC Reporting Principles?

BC's Reporting Principles

1. Explain the public purpose served
2. Link goals and results
3. Focus on the few, critical aspects of performance
4. Relate results to risk and capacity
5. Link resources, strategies and results
6. Provide comparative information
7. Present credible information, fairly interpreted
8. Disclose the basis for key reporting judgements

The BC Reporting Principles reflect broad agreement, across government and with legislators and the Auditor General, about the basis on which government should tell its performance story. In terms of public reporting, the essence of these principles is to encourage a healthy debate of plans and actual performance.

The principles also provide guidance both to those within government who must prepare public reports and to those who use the reports. As well, the Auditor General uses the BC Reporting Principles to review and report on the quality of government's annual service plan reports. This helps ensure there is common understanding about the quality and completeness of government's performance reporting.

The principles, though, are more than a reporting device. They can help support government in using planning and reporting as a tool for managing, integrated with its ongoing management practices. To report on the results achieved, organizations need to manage their plans—their goals, objectives and strategies—and to ensure they have the information they need to know whether they are achieving their intended results.

In October 2003, the Select Standing Committee on Public Accounts endorsed the BC Reporting Principles as guidance for the preparation and assessment of service plans and annual service plan reports, and encouraged ministries and Crown agencies to work towards the goal of also incorporating the principle into contracts with non-ministerial service delivery agencies.

Government has committed to incorporating these principles in its performance reporting. As noted in the 2005-06 to 2007-08 Budget and Fiscal Plan, the BC Reporting Principles are cited as "an excellent example of efforts to improve transparency".

For more information, see *Performance Reporting Principles for the British Columbia Public Sector: Principles Endorsed by the Government, Select Standing Committee on Public Accounts and the Office of the Auditor General of British Columbia, November 2003*. A quick reference guide is also available. Both documents are available on our website http://www.bcauditor.com/.

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The Scope of Our Assessment

The objective of our assessment was to determine the extent to which the content of annual service plan reports reflect the BC Reporting Principles, and to ascertain whether the quality of the reporting is improving over time. In previous years we covered the reports of all ministries and most major Crown agencies. This year we concentrated on those organizations that play a more significant role in delivering government's new "Five Great Goals". Appendix A lists the organizations whose reports we assessed.

In carrying out our assessment, we performed a "desk review" of annual service plan reports. We did not audit the information, and therefore did not carry out any interviews, systems reviews or examination of other documents. To verify the accuracy of the data and reliability of the information would have required additional work and would have been inconsistent with the intent of this project. As a result, we do not provide any assurance on the reliability of the information reported by government and its organizations, and therefore we excluded Principle 7 – Present Credible Information, Fairly Interpreted, from the scope of our work.

The Learning Model Approach

START-UP PHASE
Most significant elements have not yet been addressed

IN PROCESS
Many significant elements have not been addressed, but progress is being made

FUNDAMENTALS IN PLACE
Most significant elements have been fundamentally addressed, although further improvements are possible.

FULLY INCORPORATED
All elements have been substantially addressed – a standard of excellence.

As in previous years, we have again used the four-stage learning model approach to assess the extent to which each of the BC Reporting Principles has been incorporated in the reports we examined. It is now over two years since the Legislative Assembly's Select Standing Committee on Public Accounts endorsed the BC Reporting Principles. The guidelines currently provided to ministries and Crown agencies reflect these principles.

Our learning model approach does not pre-judge the time it will take for all of the principles to be incorporated in the reports of each organization, acknowledging that organizations will incorporate the principles at different rates. A pass/fail approach would not adequately recognize progress during a period of development. Our hope was that, by highlighting good practice and identifying opportunities for improvement, we would see steady improvement in the quality of reporting. The actual pace of improvement, however, in overall government and individual ministry reports has been very slow and will not deliver performance reports that meet the BC Reporting Principles for several years to come.

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We believe it is important that the users of performance information—specifically Members of the Legislative Assembly—receive annual reports that meet their needs. We plan to explore this area with legislators and hope to publish a report on this topic later in the year.

The details of our assessment methodology, including the learning model approach, are provided at Appendix B.

How Far Has Performance Reporting in British Columbia Come?

Performance reporting in British Columbia has come a long way in a short time.

In 1999, the Budget Process Review Panel, chaired by Douglas Enns, released its report *Credibility, Transparency and Accountability—Improving the B.C. Budget Process*. Among other things, the panel recommended improving government's public accountability for results. The government of the day brought the recommendations to life in the Budget Transparency and Accountability Act (BTAA). The Province is one of a number of jurisdictions that are seeking to tell the public what they plan to achieve, and what they have actually achieved, in a clear and meaningful way.

Before the BTAA existed, the annual reports of ministries and Crown agencies rarely contained meaningful performance information to help a reader understand the performance of government. The new Act changed that, requiring ministries, government organizations and government as a whole to provide a consistent level of transparency, credibility and accountability—and to do so in a much more rigorous manner than before. The government that came to power in 2001 affirmed the BTAA and strengthened it further by adding requirements such as a ministerial accountability statement.

The legislative requirement to issue public accountability reports was a tremendous first step, but there was little direction as to what kind of information those reports should contain. That came in 2003, when government, working with our Office, developed the BC Reporting Principles. Our Office strongly supports those principles. We believe that a report that incorporates all eight of the principles

will provide the public with sufficient relevant information to judge how well government has performed.

Our assessment, however—this year, as in the past—shows that almost all government organizations have some way to go before their performance reports fully address the BC Reporting Principles. This means that legislators and the general public are not yet being provided with complete, comprehensive information on the performance of government.

This is not to deny that there have been significant successes. The Workers' Compensation Board of BC (WorkSafeBC), for example, has produced a report that we believe does present performance fairly and in accordance with the BC Reporting Principles. The performance report of the Public Guardian and Trustee of BC has also met this standard in all but one principle. (While these two organizations are not required to report under the BTAA, they have opted to follow the BC Reporting Principles in their statutorily required annual reports.) The reports of the Columbia Power Corporation, BC Hydro and Power Authority, BC Oil and Gas Commission and BC Housing Management Commission are also approaching this standard.

We applaud these successes. Five years ago not a single report was close to a standard that we felt met the needs of users.

Results of our assessment of all the annual service plan reports we reviewed for 2004/05, together with prior year comparisons, are detailed later in this report.

The Next Level: Government-Wide Priorities

One of the key responsibilities of any government is to set the strategic direction for the whole of provincial government. This requires a vision of where government wants to take the Province and what areas are a priority for it. Resources at the disposal of government are finite and so strategic priorities have to be identified to focus on activities that will contribute most to achieving the vision.

Government's strategic priorities cut across organizational boundaries. Several ministries and Crown agencies share responsibility for delivering on government's vision. While the arrangement of responsibilities within ministries and Crown agencies can change frequently, the basic responsibilities of

government continue regardless. So as well as reporting how individual organizations are performing, it is critical that government provide clear information to citizens and to the Legislative Assembly on whether it is delivering on its strategic priorities on a government-wide basis. As we have already commented, current reporting of performance at this level does not meet the standards required by the BC Reporting Principles.

In February 2005, the British Columbia government announced its "Five Great Goals":

- Make B.C. the best-educated, most literate jurisdiction on the continent.
- Lead the way in North America in healthy living and physical fitness.
- Build the best system of support in Canada for persons with disabilities, those with special needs, children at risk, and seniors.
- Lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.
- Create more jobs per capita than anywhere else in Canada.

We used our assessment of the 2004/05 service plan reports to start focusing on the sort of information that would be required to allow readers to determine whether government is delivering on its five strategic priorities.

What Should an Ideal Reporting Framework Look Like?

To understand what it is that users of performance reporting should be receiving, one first needs to understand how priorities are delegated and results reported within the government hierarchy.

With its "Five Great Goals", the government has established at the top what it considers to be its strategic priorities. We would therefore expect future government-wide service plans and service plan reports to explain to users not just what the government priorities are, but also how those priorities are translated into more specific objectives, what the strategies are for delivering on those objectives, and what performance measures and targets will demonstrate progress towards achieving the objectives. The measures used to report performance should be focused on the

"few critical" issues for the public and legislators. Too many makes it difficult to identify any priorities.

While all ministries and Crown agencies in government have important responsibilities, some of those organizations will play a greater role than others in delivering government's priorities. Those roles should be reflected in each ministry and Crown agency's service plan and service plan report.

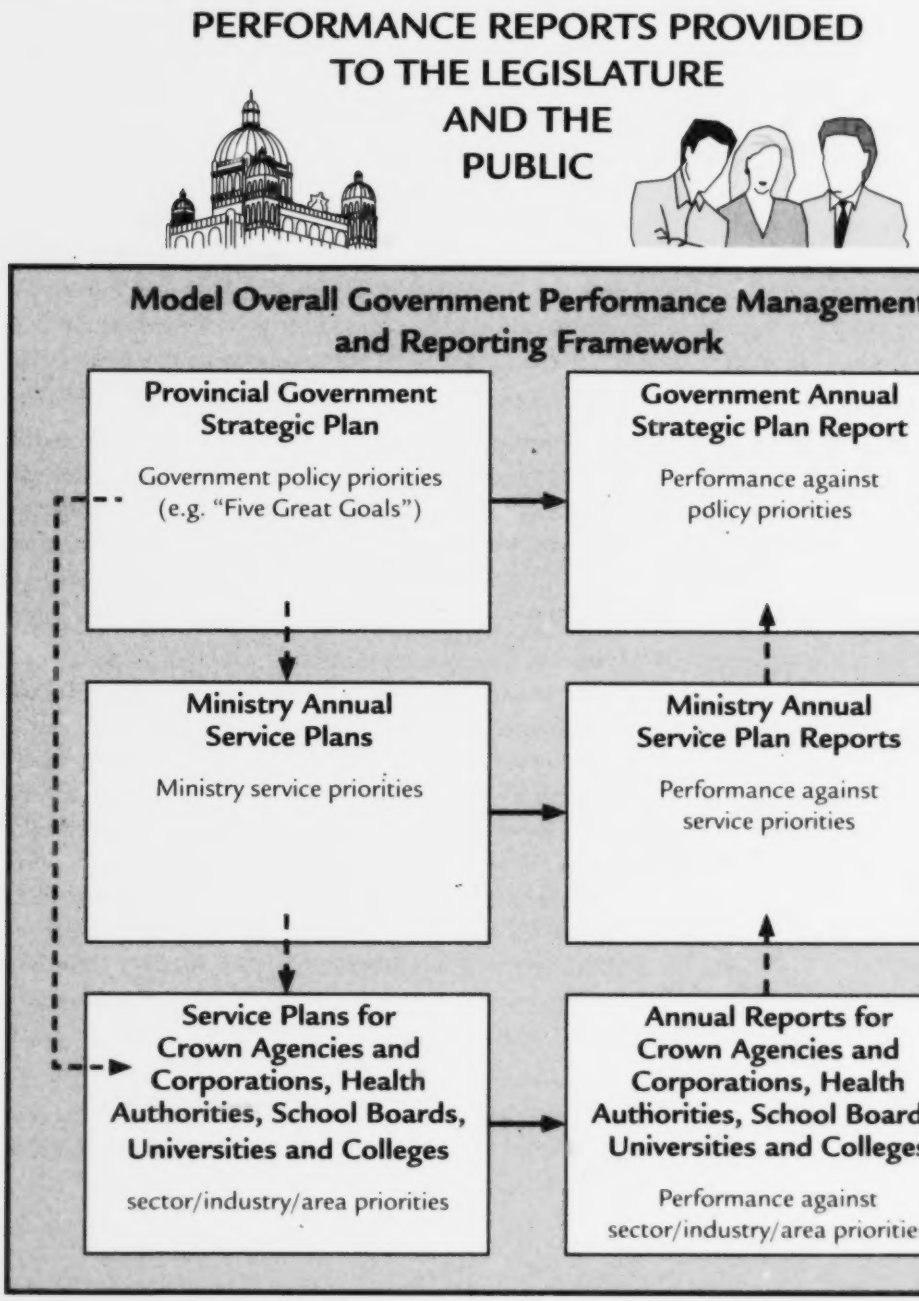
As well as ministries and Crown agencies, school boards, health authorities, universities, colleges and other public bodies also have delegated authority for delivering on government's priorities. Thus, their plans and reports should also reflect their own unique responsibilities.

It is apparent, then, how strategic priorities cascade (see Exhibit 1) from the highest levels of government down through ministries to a variety of government organizations. Delivery against these priorities is manifested in objectives, strategies and performance measures appropriate for each level of government. In turn, performance information is gathered at each level and, as well as being reported externally, is passed up to the next level. This allows the consolidation and reporting of performance information at the ministry and Crown agency level and, ultimately, the government-wide level.

Planning is the beginning of a continuous cycle of improvement, where performance information is collected throughout the year and adjustments are made to strategies to meet planned results. The information used in annual service plan reports should be no more than the public reporting of the few critical issues that are managed and reported internally, together with more operational issues, on a continuous basis.

Exhibit 1

Model for Provincial Government Performance Management and Reporting


PERFORMANCE REPORTS PROVIDED TO THE LEGISLATURE AND THE PUBLIC
Model Overall Government Performance Management and Reporting Framework
Provincial Government Strategic Plan
Government policy priorities (e.g. "Five Great Goals")
Government Annual Strategic Plan Report
Performance against policy priorities
Ministry Annual Service Plans
Ministry service priorities
Ministry Annual Service Plan Reports
Performance against service priorities
Service Plans for Crown Agencies and Corporations, Health Authorities, School Boards, Universities and Colleges
sector/industry/area priorities
Annual Reports for Crown Agencies and Corporations, Health Authorities, School Boards, Universities and Colleges
Performance against sector/industry/area priorities

The Gap in Current Performance Reporting

If the BC Reporting Principles reflect the information that legislators and the public need to hold government to account for its performance, then the results of our assessments of current performance reporting in British Columbia (pages 21 to 29) point to an ongoing accountability gap:

- In general, we found that the higher the level of summary reporting, the poorer the quality of reporting is. We have also detected gaps in the development of performance measures below the government-wide level and individual ministries. This leads us to question how well ministry priorities are in fact aligned with those of government. If government is to report effectively on its five goals in the coming years, it will need to address this shortcoming.

  We recommend that government-wide plans and reports clearly explain how government's priorities are delegated to and delivered through ministries and other government organizations, and how performance information from these organizations is consolidated to report overall performance.

- Given that many of government's goals transcend organizational boundaries, we found further gaps between what government-wide performance reporting should look like and what exists in practice. The requirement within the Budget Transparency and Accountability Act to produce annual service plans and service plan reports specifically excludes organizations within the education and health sectors such as school boards, colleges, universities and health authorities. If effective planning and reporting on the delivery of government-wide priorities is to take place then all government organizations involved in their delivery need to meet the same requirements.

  We recommend that, in addition to ministries and Crown agencies, health authorities, school districts, colleges and universities also be required to produce annual service plans and reports.

- On the basis of the current trend, we concluded that government will not be producing government-wide and ministry performance reports that meet the BC Reporting Principles for several years to come. In our view, legislators and the public should not have to wait longer to access better quality reports. Currently, the BC Reporting Principles, agreed by government, are endorsed by the Select Standing Committee on Public Accounts, but they are not mandated. It may be that a legislative requirement on all government organizations to meet the BC Reporting Principles is required. The Public Accounts Committee could be given the power to change the specific guidance to meet ever-evolving best practices. Requiring organizations to meet specific guidance will help improve the quality of performance reporting.

  We recommend that meeting the reporting principles endorsed by the Select Standing Committee on Public Accounts be made a legislated requirement for all government organizations.

Legislation on its own, however, will not deliver better reports. A change in the quality of external reporting must be supported by strong internal performance management and reporting, driven by senior management. In our last report in this area, *Building Better Reports: Our Assessment of the 2003/04 Annual Service Plan Reports of Government*, we recommended the BC Reporting Principles be "operationalized" within individual ministries. Such a step is essential if the expectations set by legislators are to be achieved. Accordingly, we reiterate our recommendations from last year (see page 32 of this report).

What Should Happen to Performance Reports?

The production of performance reports does not guarantee that performance will be scrutinized and government held accountable. For robust scrutiny by legislators of performance, time is required to discuss planned and actual performance. Currently the only forum within the Legislative Assembly where regular scrutiny of service plan reports takes place is the Select Standing Committee on Crown Corporations. We believe that for more systematic and comprehensive scrutiny of government performance, all service plan reports should be submitted to appropriate standing committees of the Legislative Assembly. Legislators will then be able to choose which reports and issues to scrutinise in more detail.

We included this recommendation in our report *Building Better Reports: Our Assessment of the 2003/04 Annual Service Plan Reports of Government*. And that was not the first time this type of recommendation was made. The *Second Report of the Select Standing Committee on Public Accounts, January 31, 1996* recommended that "the short and long-term plans and annual reports of government ministries and Crown corporations, once tabled in the House, stand referred to the appropriate legislative committee." In the 10 years since then, only the element relating to Crown corporations has been implemented—even while more responsibility has been delegated to a wider range of government organizations. It is time, we feel, for the same degree of accountability to be applied across all organizations responsible for delivering government's goals.

> **We recommend that, as a legislated requirement, annual service plans and service plan reports for all ministries and Crown agencies be tabled in the Legislative Assembly and referred to appropriate select standing committees of the Legislative Assembly. We further recommend that consideration be given to extending the scope of reports provided to select standing committees to cover the performance of all government organizations.**

Until now the focus of performance reporting within government has been at the level of the individual entity—ministry and Crown agency. Performance planning and reporting by individual organizations will continue to be an integral part of effective results management.

What Level of Audit Assurance Should Be Provided?

Our annual assessment of the quality of performance reporting is intended to help users of government performance reports understand the current state of performance reporting in British Columbia. This work, however, does not provide users with independent assurance that the information in these reports is relevant and reliable.

We are at the forefront of developing independent audit assurance for annual reports. Over the last five years, we have provided audit assurance for the reports of the Public Guardian and Trustee of BC and the Workers' Compensation Board of BC (WorkSafeBC). Starting with 2005/06, we will also be providing audit assurance for the report of the BC Assessment Authority. Audit level assurance provides an independent opinion as to whether the information in annual reports fulfills the attributes of consistency, fairness, relevance, verifiability, understandability, timeliness and — in relation to key performance indicators and financial information – reliability.

We believe our work with these organizations provides a value-added service. Audit assurance on annual reports, as with financial statements, provides an independent opinion, based on a detailed examination of supporting evidence, of the reliability and accuracy of information. Such an opinion in turn assures users of performance reports that they can take the reported performance at face value and move straight to considering whether performance is acceptable or not. In our view, this degree of assurance would deliver a new level of accountability for government's performance. Without such assurance, discussions around performance will always be limited by doubts about the information used and the fairness of its presentation.

For us to provide audit assurance on all government reports would first require annual reports to fully meet the requirements of the BC Reporting Principles, and for organizations to provide evidence of robust systems for the collection of performance information. Making this a reality would also likely require a joint effort between our Office and Internal Audit and Advisory Services of the Ministry of Finance.

Uses and Users of Performance Reports

We recognize the risk that reports produced by government can end up communicating most effectively with other parts of government rather than with the intended audiences—legislators and the public. Although legislators were the one key user group that endorsed the BC Reporting Principles originally, we have not gone back to them to ask if, with the benefit of some experience, they feel the performance reports they receive give them the information they need to carry out their responsibilities.

It is our intention to assess the use made of government performance reports by legislators, to determine whether the current reporting meets their needs and how it could be improved. We hope to be able to report our findings later this year.

Summary of Recommendations

These recommendations are made throughout the report. The context in which they are made can be found on the pages referred to.

1. **We recommend that government-wide plans and reports clearly explain how government's priorities are delegated to and delivered through ministries and other government organizations, and how performance information from these organizations is consolidated to report overall performance. (See page 14)**
2. **We recommend that, in addition to ministries and Crown agencies, health authorities, school districts, colleges and universities also be required to produce annual service plans and reports. (See page 14) We further recommend that consideration be given to extending the scope of reports provided to select standing committees to cover the performance of all government organizations. (See page 16)**
3. **We recommend that meeting the reporting principles endorsed by the Select Standing Committee on Public Accounts be made a legislated requirement for all government organizations. (See page 15)**
4. **We recommend that, as a legislated requirement, annual service plans and service plan reports for all ministries and Crown agencies be tabled in the Legislative Assembly and referred to appropriate select standing committees of the Legislative Assembly. (See page 16)**

5. **We recommend more and better financial information be provided within government-wide and ministry performance reports, and that this information be linked more effectively to non-financial performance information.** **(See page 29)**

6. **We again recommend that government appoint a senior official as executive sponsor to coordinate and support performance management and reporting initiatives across government, and that the BC Reporting Principles be "operationalized".** **(See page 32)**

Introduction

In previous years our assessments have covered the government-wide report, all ministry reports and the reports of all major Crown agencies. For 2003/04, this totalled 35 service plan reports.

This year, for the 2004/05 service plan reports, we adopted an alternative strategy, concentrating on those organizations with a more significant role in delivering government's new "Five Great Goals". This reduced the number of reports to 21 in total.

Our approach is not intended to assess how well government has reported against its goals. However, that is part of the transition for us to focus at a more strategic level. In future we will assess further government performance reporting of the "big picture." Nevertheless, we will also always recognize the importance of quality performance reporting by all individual public sector organizations.

Assessment Results

Our key aim in carrying out this work is to encourage, and to facilitate to the extent possible, improved public reporting. Therefore, we provide an overall assessment of the quality of reporting by ministries and Crown agencies. The results of our assessments of individual organizations can be found on our website.[2]

It is our practice to meet with senior representatives from those government organizations whose annual service plan reports were assessed. We discuss our findings of their report, elaborate on details supporting the assessment, and answer any questions they have about its meaning, our process or performance reporting in general. In addition to ensuring our assessment process is transparent, we hope these meetings help organizations in their understanding of the BC Reporting Principles and so contribute to better reports in future years.

[2] Individual assessments can be accessed electronically from Appendix A on our website at www.bcauditor.com. Alternatively, printed assessments can be obtained by request. Contact information is provided on the inside cover of this report.

Our Assessment of the Annual Service Plan Reports

Quality Assurance

To support our assessments, we use a comprehensive, evidence-based program derived from the self-assessment criteria contained in the BC Reporting Principles. This program was designed to help our reviewers evaluate and document each report's stage of development in incorporating each reporting principle. We took other steps as well to ensure fairness and consistency in our evaluations. Each report was assessed independently by at least three reviewers. Results were compared for consistency within each of our operational sectors by a sector coordinator, and Office-wide by the project coordinator who assessed all 21 reports, including the government's annual strategic plan report.

Overall, we believe we have put in place a transparent process. Our assessments are based on both the self-assessment criteria contained in the BC Reporting Principles, and a matrix that has been widely circulated and is available on our website.

A Summary of Our Assessments

In this section of the report, we provide our assessment of the government-wide Strategic Plan Report, as well as summaries of our assessments of the reports of the ministries and of Crown agencies. For the purpose of assessing how far government has come overall in improving the information provided, the summary, or "average," assessment at each level (overall government, ministries and Crown agencies) is shown (Exhibits 2-6), as well as the distribution of our assessment results by principle for ministry and Crown agency reports.

The Government-Wide Annual Report

The main purpose of the annual strategic plan report is to communicate corporate-level information to legislators and the public about how government has fulfilled and funded its mandate. This report is a critical element in the government's accountability to the public and should provide the same type of information (though at a more strategic level) as the annual reports of ministries and Crown agencies do.

Our Assessment of the Annual Service Plan Reports

Our assessments of the report over the past three years (Exhibit 2) show a very modest trend of improvement in general. Overall, however, the 2004/05 report was assessed as being of a lower quality than that provided in 2002/03.

Exhibit 2

Assessment of the government-wide annual strategic plan report, 2002/03–2004/05

	Performance Reporting Principles						
Stage of Development	1. Explain the Public Purpose Served	2. Link Goals and Results	3. Focus on the Few, Critical Aspects of Performance	4. Relate Results to Risk and Capacity	5. Link Resources, Strategies and Results	6. Provide Comparative Information	8. Disclose Basis for Key Reporting Judgements
Fully Incorporated							
Fundamentals in Place		♦					
In Process		● ■	♦ ● ■			■	♦
Start-up	♦ ● ■			♦ ● ■	♦ ● ■	♦ ●	● ■

♦ 2002/2003 Assessment ● 2003/2004 Assessment ■ 2004/2005 Assessment

As we have outlined in our previous reports on this matter, we believe significant opportunities exist for improving the quality of reporting in this critical, strategic document.

Strategic framework – While it is too early to assess the quality of reporting using government's five new goals as a strategic framework, we did assess the extent to which current government-wide performance measures in the provincial government's Strategic Plan were included in individual ministry service plans and reports. Of the 14 ministry reports we assessed, seven did not include government-wide performance measures appropriate to those ministries. The absence of such measures indicates to us a possible gap between strategic level planning and reporting by government, and planning and reporting by organizations responsible for delivering government priorities.

The annual strategic plan report states it has been prepared on a "whole of government" basis. While individual ministries are identified as being accountable for delivering government strategies, no organizations are identified as being accountable for delivering against government-wide performance measures. One

of the greatest weaknesses we see is that the report does not give the reader even a high-level picture of how government goals are delivered through ministries, Crown agencies and on down through health authorities, school boards, universities, colleges and other public organizations.

Financial information – Performance reporting should connect financial and non-financial information. This is recognized in Principle 5 – Link Resources, Strategies and Results, which stresses the importance of showing the way in which resources influence results and how efficiently those results are achieved. The annual strategic plan report for the whole of government, however, provides no financial information. This information is readily available, and we find its omission particularly disappointing in a year when British Columbia became the first province in Canada to deliver a complete accounting of its financial plans and results in accordance with Canadian generally accepted accounting principles (GAAP).

Strategic context – As the highest level strategic plan of government, the annual service plan report should set the tone and planning context for the rest of government, outlining the relevant province-wide economic, social or demographic information that puts results into context. No such information was provided in 2004/005. Furthermore, the report made little mention of issues related to risk or capacity at the strategic level.

Ministry Annual Service Plan Reports

We compared the summary assessment of the 14 ministry service plan reports we reviewed for 2004/05 with the summary assessments we made for the same 14 ministries for the prior two years (Exhibit 3). The summary shows only marginal progress in the quality of the annual service plan reports from 2002/03 to 2004/05.

Exhibit 3

Summary assessment of 14 ministry annual service plan reports 2002/03-2004/05

Performance Reporting Principles							
Stage of Development	1. Explain the Public Purpose Served	2. Link Goals and Results	3. Focus on the Few, Critical Aspects of Performance	4. Relate Results to Risk and Capacity	5. Link Resources, Strategies and Results	6. Provide Comparative Information	8. Disclose Basis for Key Reporting Judgements
Fully Incorporated							
Fundamentals in Place							
In Process	♦ ■	♦ ● ■	♦ ● ■			■	♦ ■
Start-up	●			♦ ● ■	♦ ● ■	♦ ●	●

♦ 2002/2003 Assessment[3] ● 2003/2004 Assessment[4] ■ 2004/2005 Assessment

The detailed analysis of the assessments (Exhibit 4) also shows a high degree of consistency across the individual ministry reports for 2004/05. The main points we noted:

Improvements shown by our assessments are:

- There was an improvement in Principle 1 – Explain the Public Purpose Served (indicating that, on average, report users understand better why an organization exists, who it serves, what it does and how its services are delivered.)
- There was a slight improvement in Principle 3 – Focus on the Few Critical Aspects of Performance and Principle 8 – Disclose Basis for Key Reporting Judgements.
- There was one whole level of improvement in Principle 6 – Provide Comparative Information (indicating that, on average, report users are better able to tell whether, and why, performance is improving, deteriorating or remaining static).

Clearly, there are significant opportunities for ministries to improve the quality of reporting in annual service plan reports. We noted an overall deterioration relative to both Principle 4

[3] For Principle 6 - Comparative Information, the summary assessment for 2002/03 is split evenly between In Process and Start-Up.
[4] For Principle 1 - Public Purpose Served, and Principle 8 - Disclose Basis for Key Reporting Judgments, the summary assessment for 2003/04 is split evenly between In Process and Start-Up.

– Relate Results to Risk and Capacity, and Principle 5 – Link Resources, Strategies and Results in particular.

In relation to Principle 4, we found that several ministry reports failed to identify any risks and had no discussion of capacity. This was a backward step from the previous year when we noted a slight improvement in reporting against this principle. This means that, on average, readers of 2004/05 ministry reports were less able to understand the impact of risks and capacity issues on results. They were also less informed on whether the government organizations have sufficient capacity to meet future objectives or manage their risks.

In relation to Principle 5, we found financial information to be generally at a very high level and to cover one year only. As was the case for the government-wide report, the significant advances in financial reporting achieved by the Province are not being used to lever performance reporting by linking improved financial information to non-financial performance information. As a result, readers of these reports are not being provided with the best information available. This, as for Principle 4, represented a slip backward from last year's gain.

Exhibit 4

Overall assessment of 14 ministry annual service plan reports, 2002/03–2004/05

Performance Reporting Principles																							
Stage of Development	1. Explain the Public Purpose Served			2. Link Goals and Results			3. Focus on the Few, Critical Aspects of Performance			4. Relate Results to Risk and Capacity			5. Link Resources, Strategies and Results			6. Provide Comparative Information			8. Disclose Basis for Key Reporting Judgements		
	02-03	03-04	04-05	02-03	03-04	04-05	02-03	03-04	04-05	02-03	03-04	04-05	02-03	03-04	04-05	02-03	03-04	04-05	02-03	03-04	04-05
Fully Incorporated																					
Fundamentals in Place			2			2	1	1						1			1	1			
In Process	8	7	12	14	12	12	10	9	14	2	6	2		5	3	7	5	12	8	7	10
Start-up	6	7			2		3	4		12	8	12	14	8	11	7	8	1	6	7	4

Crown Agency Annual Service Plan Reports

We used the government's five goals to guide our selection of the reports to be assessed. This year, we ended up with six Crown agency reports selected for 2004/05, down from 15 for 2003/04. In addition, two of the six selected were being assessed for the first time and one had not been assessed for 2003/04. As a result, only three of the entities we chose can be used for the three-year comparison. Our assessments for those three entities show, as was the case for Crown agency service plan reports in previous years, a higher standard achieved on average than for the government-wide or ministry reports (Exhibit 5). For 2004/05, the reports of all three entities also showed good improvement over the previous two years: all were assessed as meeting Fundamentals in Place for four of seven reporting principles. The overall assessment for the six reports selected for 2004/05 reflects this pattern.

Exhibit 5

Summary assessment of three Crown agency annual service plan reports 2002/03–2004/05

	Performance Reporting Principles						
Stage of Development	1. Explain the Public Purpose Served	2. Link Goals and Results	3. Focus on the Few, Critical Aspects of Performance	4. Relate Results to Risk and Capacity	5. Link Resources, Strategies and Results	6. Provide Comparative Information	8. Disclose Basis for Key Reporting Judgements
Fully Incorporated							
Fundamentals in Place	● ■	■	■			● ■	
In Process	♦	♦ ●	♦ ●	♦ ● ■	♦ ● ■	♦	♦ ■
Start-up							●

♦ 2002/2003 Assessment ● 2003/2004 Assessment ■ 2004/2005 Assessment

Our Assessment of the Annual Service Plan Reports

Our analysis of all six assessments (Exhibit 6) is greatly encouraging, with four of the six reports having been assessed as meeting or exceeding the required standard for most of the principles assessed. Another report has been assessed as meeting Fundamentals in Place for three of the seven principles. The remaining report is for a new organization, reporting its first full year of operations.

Even with this limited sample, we were pleased to find clear evidence of continuing improvement in the Crown agency reports.

At the same time, however, not all of the results of these assessments were positive. Three of the higher quality reports failed to get better than Start-Up in one principle each. And, while Crown agency reports in general provide a much higher level of financial information and discussion than ministry reports do, not all Crown agencies provide a comparison of planned expenditures to actual expenditures, as required under Principle 5 – Link Resources, Strategies and Results.

Exhibit 6

Overall assessment of Crown agency annual service plan reports, 2002/03–2004/05

	Performance Reporting Principles																					
Stage of Development	1. Explain the Public Purpose Served			2. Link Goals and Results			3. Focus on the Few, Critical Aspects of Performance			4. Relate Results to Risk and Capacity			5. Link Resources, Strategies and Results			6. Provide Comparative Information			8. Disclose Basis for Key Reporting Judgements		
	02-03	03-04	04-05	02-03	03-04	04-05	02-03	03-04	04-05	02-03	03-04	04-05	02-03	03-04	04-05	02-03	03-04	04-05	02-03	03-04	04-05
Fully Incorporated			*						*												
Fundamentals in Place		2	3*	1	1	3*	1	1	2*	1	1	**			*	1	3	3*			1
In Process	3*	1	*	2*	2	*	1	2	1	1	2	2	2	3	3	1		*	2	1	2**
Start-up						*	1*		*	1*		1*	1*		**	1*		*	1*	2	*

Note: Comparative figures for 2004/05 are for the same three organizations assessed in the previous two years. The three additional organizations assessed for 2004/05 are shown as * (one was also assessed for 2002/03).

What the Latest Assessments Tell Us

The pattern over time from our assessments highlights the following issues:

- Despite modest improvement overall, the extent to which the government-wide and ministry reports reflect the principles of good performance reporting remains at a low level.
- The pace of improvement for government-wide and ministry reports under the learning model is slow. At the current rate of improvement, there is little prospect of any of these reports meeting the principles of good performance reporting for several years to come.
- The steady improvement in the quality of Crown agency reports is encouraging, though the overall quality of the reports still falls short of what the BC Reporting Principles demand. The gap between Crown agency reporting and the rest of government is widening.
- While government has made considerable advances in the quality of its financial reporting (British Columbia is the first province in Canada to deliver a complete accounting of its financial plans and results in accordance with Canadian generally accepted accounting principles), the level of financial information provided in performance reports is still significantly low, and so the linking of financial and non-financial performance is weak or non-existent. In this matter, as with the quality of reporting in general, the higher the level of government agency that is reporting, the less financial information that is being provided.

We recommend that more and better financial information be provided within government-wide and ministry performance reports, and that this information be linked more effectively to non-financial performance information.

Putting the Assessment Results in Context

In Process: A Broad Category

Our assessments under each principle fall into four categories, as described in Appendix B. At one end of the scale, the criteria in the Start-Up category are quite basic. On the other end, the criteria for Fundamentals in Place represent the minimum standard we believe fulfills the primary intention of each principle. This leaves a fairly broad range in between. (The fourth category, Fully Incorporated, represents a standard of excellence over and above the minimum.) Because organizations follow unique paths in integrating each principle—that is, there is no specific sequence to incorporating the criteria—we felt it was appropriate to have a general category between "just getting started" and "meeting requirements." It was our view that an intermediate stage of development would help the learning process.

As with last year's assessments, we noted instances this year where organizations had made improvements in their reporting, but because these changes were not enough to meet the requirements of Fundamentals in Place, our assessment remained at the In Process level. We understand that a sense of frustration may result when significant efforts do not immediately produce the results expected; and we agree it is important to recognize the improvements organizations have made to their reports. Nevertheless, we think it is more important for organizations to concentrate on doing what is necessary to fundamentally incorporate each principle in their reports than to focus on intermediate stages that still do not fully embrace the accepted criteria.

Principles Not of Equal Difficulty

The learning model does not factor in the relative difficulty of incorporating each of the BC Reporting Principles. This is another reason why our assessment methodology makes no judgement about how quickly the principles should be incorporated.

Fulfilling the requirements of some principles is a relatively straightforward process of disclosure, whereas for other principles organizations may have to go to some effort to create and utilize performance information. For example, the requirements under Principle 1 – Explain the Public Purpose Served, are to disclose

enabling legislation, mission, the programs and services delivered, clients, reporting relationships and organizational values. On the other hand, considerably more effort is required to fulfill Principle 5 – Link Resources, Strategies and Results. That principle has a number of requirements, including the disclosure of sources of funding, planned and actual costs and revenues, financial trend information, variances, and information concerning the economy and efficiency of operations. Organizations should already have much of the financial information called for, but those without a cost accounting system may be challenged to link specific activities with costs.

Fundamentals in Place: An Achievable Standard Linked to Results-Based Management

In the past few years, we have heard concerns across government that the reporting criteria established under the BC Reporting Principles represent an unachievable standard. We disagree.

In the Crown agency reports we reviewed, the impressive increase in the number of Fundamentals in Place assessments, plus the two assessments of Fully Incorporated in one of the Crown agencies assessed for the first time, demonstrated that meeting the reporting principles is achievable.

We are convinced that strong performance reporting will not be difficult to attain if there's solid performance management in place. One of the underlying assumptions of the BC Reporting Principles is that the performance measures reported by an organization are a meaningful reflection of its business—that the measures are useful to management in understanding the fundamental success or failure of the organization in achieving its mission. So, if reported performance information is not meaningful in this way, but is instead created solely for the purpose of public reporting, then the BC Reporting Principles may indeed be unachievable. But we reiterate that good results-based management and the fundamentals of good performance management are, by definition, already linked.

Our Assessment of the Annual Service Plan Reports

Guidelines and Executive Sponsorship

In our report *Building Better Reports: Our Assessment of the 2003/04 Annual Service Plan Reports of Government*, we highlighted several concerns with the guidelines issued to support ministries in their preparation of 2003/04 service plan reports. Our report, published after the guidelines for 2004/05 had been issued, noted that, for the most part, all the concerns we identified had already been addressed.

Our review of the 2004/05 guidelines, however, highlighted continuing weaknesses with guidance provided on Principle 4 – Relate Results to Risk and Capacity. While the guidelines refer repeatedly to risk and risk management, they offer little, if any, direction as to how ministries should report their performance in the context of risks faced and of ministries' capacity to deliver their programs, products and services. The overall results for our assessments of ministry reports (Exhibit 4) may be the result of the quality of the guidelines for this principle. This was one of two principles where the spread of individual assessments showed an overall decline in the quality of reporting. As was the case last year, we did not find similar deficiencies in the guidelines provided to Crown agencies.

Two of three recommendations we made in our report last year relate to what we believe is the need for government to strengthen executive sponsorship of performance management and reporting and, in that effort, to help "operationalize" the BC Reporting Principles. Our hope is to see performance management and reporting embedded within the day-to-day management of public sector organizations.

Accordingly, **we again recommend that government appoint a senior official as executive sponsor to coordinate and support performance management and reporting initiatives across government, and that the BC Reporting Principles be "operationalized."**

Government Response from the Ministry of Finance

Thank you for providing government with the opportunity to respond to the Office of the Auditor General's "Building Better Reports" review of selected 2004/05 Annual Service Plan Reports of government and Crown agencies (BBR).

The government remains committed to the BC Reporting Principles and continuous improvement in public reporting and believes that the BBR work of the Auditor General, and the learning model it is based on, will help improve government planning and reporting efforts over time.

Government agrees with the BBR comments that there has been a tangible improvement in the quality of service plan reports over time and that good performance reporting is a key ingredient of open and accountable government. Government also recognizes that there is still work to be done and that sustained effort is required to ensure that progress continues towards fully achieving the BC Reporting Principles. Government encourages the Auditor General to assess as broad an array as possible of Ministry and Crown agency service plan reports in order to maintain the momentum towards better reporting and allow legislators, the public and the reporting organizations to track progress.

From government's perspective, two of the most valuable parts of the BBR are the examples that, by reporting principle, identify what has enabled an organization to achieve a "fundamentals in place" ranking; and what each organization could do to improve its assessment. For both ministries and Crown agencies the examples help illustrate "good reporting" and provide a basis for continuous improvement. Ministries and Crown agencies would benefit from additional examples drawn from individual reports which illustrate "best practices" or "acceptable approaches" for achieving a "fundamentals in place" outcome. One of the ongoing challenges all reporting organizations face is trying to simultaneously: embody the Reporting Principles; meet Budget Transparency and Accountability Act content and organizational comparability requirements; and ensure that the reports produced are clear and easily understood by a public audience. Specific illustrations of when this has been achieved would help organizations interpret and approach the reporting principles and accelerate improvements in the overall quality of reporting.

Achieving "fundamentals in place ratings" for more organizations and more of the reporting principles is a goal that government supports. Working with the Office of the Auditor General to achieve this outcome will positively affect the delivery of public policy outcomes, as well as improving government transparency and accountability.

Government Response from the Ministry of Finance

As with previous reports, Reporting Principle 7 – Present Credible Information, Fairly Interpreted – was omitted from the 2004/05 BBR assessment. Government continues to be of the view that it is possible to assess this principle by reviewing descriptions of data sources within a report, data quality, systems, benchmarks, limitations and the basis of confidence. Government remains concerned about the usefulness, cost and time involved in moving to third-party corroboration of information reliability and relevance.

With respect to the specific recommendations from the Office of the Auditor General, government offers the following comments:

1. ***Alignment to government's strategic priorities.*** *Government agrees that there should be clear links between government's strategic priorities and the goals of ministries and Crown agencies. Government has articulated its Five Great Goals and associated performance measures in its strategic plan and all reporting organizations are required to identify how they support and contribute to the Five Great Goals in their service plans and reports.*

2. ***Extension of annual service plans and reports to school districts, universities, colleges and health authorities (the SUCH sector).*** *Government will consider the Auditor General's recommendation that service planning and reporting be extended to the SUCH sector. With over one hundred organizations involved this is a complex issue with significant resource implications. Also, many of these organizations already produce public plans and reports.*

3. ***The BC Reporting Principles be made a legislated requirement for all public sector organizations.*** *The government continues to support the BC Reporting Principles and implements their use through policy. The principles are fully integrated into plan and report guidelines and those guidelines require reporting organizations to use the principles. While government will consider the Auditor General's recommendation that the reporting principles become legislated requirements, it must be noted that the principles are not yet recognized as generally accepted reporting practice within Canada. Assessing compliance with this legislative requirement would be very subjective. Implementation of the principles through policy creates an environment that promotes their use while allowing the principles to evolve and reporting practices to adapt.*

4. ***Annual tabling of service plans and service plan reports in the Legislated Assembly and referral of all reports to appropriate select standing committees.*** *Under the Budget Transparency and Accountability Act all ministry and Crown agency service plans are tabled annually in the legislature as part of the government's budget package while service plan reports are tabled annually with the government's public accounts. While questions about service plans can be raised in the Legislature at any time, ministry and Crown agency service plans are also subject to debate during the appropriation or estimates debate process. In addition, the Select Standing Committee on Crown Corporations has a mandate to review all Crown service plans and reports and any Select Standing Committee of the legislature has the option of including in its terms of reference a review of relevant service plans and annual reports.*

   In Government's opinion this recommendation is already largely implemented. Any changes to current legislative processes are best addressed by members of the legislature.

5. ***More and better financial information be provided within performance reports and that information be linked more effectively to non-financial information.*** *Government agrees that strong links between financial and non-financial information within service plans and reports are important and feels that progress has been made in this area.*

6. ***Appointment of a senior official as executive sponsor and operationalization of the BC Reporting Principles.*** *As part of the 2003/04 assessment of service plan reports, the Auditor General recommended that an executive sponsor be appointed in order to continue making progress with respect to reporting. That recommendation has now been repeated. As part of the 2003/04 response, government said it would confirm leadership responsibility for performance reporting.*

   Under the Budget Transparency and Accountability Act each minister is accountable for his/her Ministry's service plan and annual report and leads their development. This is confirmed in the service plan message and accountability statement found in each plan and report. In the case of Crown Corporations, Crown Boards are accountable for service plans and reports and the Board Chair signs the accountability statement while the Minister

responsible tables the Crown plans and reports in the Legislature. This accountability and responsibility structure ensures that there is executive leadership for service planning and reporting at the highest levels within both Ministries and Crown agencies.

Further government leadership for service planning and reporting, is provided through the Deputy Ministers' Policy Secretariat's Service Planning and Reporting unit and the Crown Agencies Secretariat of the Ministry of Finance. These groups serve as government's centralized hubs for service planning and reporting support and guidance to ministries and Crown agencies respectively. Both groups have incorporated the BC Reporting Principles into their service plan and report guidelines and on an ongoing basis are working to enhance the guidelines, identify best practices for meeting the reporting principles, and working with Ministry and government staff to improve reporting.

Government acknowledges that to improve ministry and Crown agency service work on service plans and annual reports is an ongoing effort. Government is encouraging best practices in performance reporting and seeking continuous improvement. The BC Reporting Principles remain integral to this and will continue to be applied. Work is continuing on finding the right balance between improving reporting activities, timely and relevant reports that can be understood by the public, technical precision, and costs.

Government will continue to enhance its guidelines for service plans and annual reports. Government will also continue to provide educational opportunities on various aspects of performance management and reporting. Cooperative effort by government, Crown agencies and the Office of the Auditor General will continue to keep British Columbia at the forefront of public performance reporting.

Appendices

2004/05 Annual Service Plan Reports Assessed

Government-Wide

British Columbia Government Annual Strategic Plan Report

Ministries

Ministry of Finance
Ministry of Education
Ministry of Human Resources
Ministry of Sustainable Resource Management
Ministry of Forests
Ministry of Water, Land and Air Protection
Ministry of Advanced Education
Ministry of Agriculture, Food and Fisheries
Ministry of Children and Family Development
Ministry of Community, Aboriginal and Women's Services
Ministry of Energy and Mines
Ministry of Health Services
Ministry of Public Safety and Solicitor General
Ministry of Small Business and Economic Development

Crown Agencies

Columbia Power Corporation[5]
BC Hydro and Power Authority
BC Housing Management Commission
BC Oil and Gas Commission
Columbia Basin Trust[6]
Industry Training Authority[7]

[5] Annual service plan report assessed for the first time.
[6] Annual service plan report not assessed for 2003/04.
[7] First annual service plan report produced by agency.

Appendix B: The Office of the Auditor General of BC Assessment Methodology

Introduction

The assessment matrix we used this year was materially the same as the one used for our assessment of 2003/04 annual service plan reports. Minor changes only were made in the assessment matrix.

The Learning Model and the Assessment Matrix

The BC Reporting Principles

1. Explain the public purpose served
2. Link goals and results
3. Focus on the few, critical aspects of performance
4. Relate results to risk and capacity
5. Link resources, strategies and results
6. Provide comparative information
7. Present credible information, fairly interpreted
8. Disclose the basis for key reporting judgements

Our assessment of the annual service plan reports of ministries and Crown agencies uses a learning model approach. The learning model assesses the degree to which each of the eight BC Reporting Principles has been incorporated in a report, using four stages of development. The four stages of development are: Start-up, In Process, Fundamentals in Place and Fully Incorporated.

The learning model is based on a series of questions contained in our assessment program. The questions were derived from the self-assessment criteria outlined in the BC Reporting Principles. The answers to these questions are then placed on our assessment matrix, which outlines the characteristics at each stage of reporting for each principle. The criteria described under each stage of development are meant to be cumulative – Fully Incorporated builds on Fundamentals in Place, and so on.

The premise of the learning model is that it will take time and effort before organizations will fully incorporate each of the reporting principles. Using the learning model over a number of years will allow us to assess this progress. The assessment matrix makes no suppositions about the pace of progress—in other words, it does not specify the stage of development an organization should have reached by now or over time. We hope that all organizations will reach the Fundamentals in Place stage for each principle. Fully Incorporated represents a standard of excellence to which all organizations should aspire.

START-UP PHASE
Most significant elements have not yet been addressed

IN PROCESS
Many significant elements have not been addressed, but progress is being made

FUNDAMENTALS IN PLACE
Most significant elements have been fundamentally addressed, although further improvements are possible.

FULLY INCORPORATED
All elements have been substantially addressed – a standard of excellence.

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Appendix B

Assessment Matrix for Annual Service Plan Reports

Principle 1
Explain the public purpose served

Public performance reporting should explain why an organization exists and how it conducts its business. This is important to interpreting the meaning and significance of the performance information being reported.

It is not just the raison d'etre of an organization that matters in understanding its performance. How an organization delivers its programs, products and services is also key. Several ministries, for example, rely on contractors, private/public partnerships and transfer payment organizations (such as schools, universities, colleges and health authorities) to deliver government programs, products and services. In these cases, achieving the ministry's goals and objectives is a collective, rather than an individual, responsibility.

The issue may be somewhat different for Crown agencies. Their governance structures and the roles and responsibilities of the various parties (board, government and the Legislative Assembly) are often complex. Moreover, Crown agencies must balance their public purpose with sometimes competing business interests.

Public sector organizations are expected to carry out their roles and responsibilities consistent with public sector values. In the conduct of public business, how you deliver your programs, products and services matters.

The matrix is based on the following assumptions about how an organization incorporating this principle will progress:

- from only briefly explaining its programs and services ... to describing clients, markets and stakeholders
- from focusing strictly on what the specific organization does ... to including the relationship and accountability of key partners and subsidiaries
- from merely listing organizational values ... to describing how the organization knows these values guide daily operations

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Principle 1 — Explain the public purpose served			
Start-up	**In Process**	**Fundamentals In Place**	**Fully Incorporated**
Public Purpose, Mission The report adequately explains the organization's public purpose, as outlined in enabling legislation, and it adequately explains the organization's mission.			
Programs & Services A report just starting to reflect this principle will provide an overview of the programs and services the organization delivers.	The report describes the organization's core business areas, and the programs, services or products provided by these. The report clearly identifies clients, key stakeholders and, when relevant, the markets served.	The report explains how the organization delivers programs, products or services through others, and how it ensures others deliver what it wants.	The report explains any other factors that are critical to understanding performance. (For example: independence, competition, or public organizations with similar, complimentary or overlapping mandates.)
Accountability Not described.	The report clearly identifies clients, key stakeholders and, when relevant, the markets served. The report clearly explains the governance structure under which the organization operates. That is, its key reporting relationships, often those that are externally focused. (Crown corporations, for example, will refer to their boards and to their accountability to government.) Similarly, accountability relationships with key partners and subsidiaries are described.		The report describes how the missions of subsidiaries are aligned with the organization's own mission.
Organizational values The report lists the values that guide the organization's operations.	The report has only begun to describe how public sector values guide the organization's operations.	The report makes clear that the organization is guided by public sector values in delivering its programs, products and services. For example: in an ethical manner, with fair access to business, without personal benefit, or in accordance with professional conduct.	A report that has fully incorporated this principle explains that the organization has conducted its business consistent with public sector values and it explains how the organization knows this.

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Principle 1 – Explain the public purpose served

Start-up	In Process	Fundamentals In Place	Fully Incorporated
Public Purpose, Mission The report adequately explains the organization's public purpose, as outlined in enabling legislation, and it adequately explains the organization's mission.			
Programs & Services A report just starting to reflect this principle will provide an overview of the programs and services the organization delivers.	The report describes the organization's core business areas, and the programs, services or products provided by these. The report clearly identifies clients, key stakeholders and, when relevant, the markets served.	The report explains how the organization delivers programs, products or services through others, and how it ensures others deliver what it wants.	The report explains any other factors that are critical to understanding performance. (For example: independence, competition, or public organizations with similar, complimentary or overlapping mandates.)
Accountability Not described.	The report clearly identifies clients, key stakeholders and, when relevant, the markets served. The report clearly explains the governance structure under which the organization operates. That is, its key reporting relationships, often those that are externally focused. (Crown corporations, for example, will refer to their boards and to their accountability to government.) Similarly, accountability relationships with key partners and subsidiaries are described.		The report describes how the missions of subsidiaries are aligned with the organization's own mission.
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Principle 2
Linking goals and results

Public performance reporting should identify and explain the organization's goals, objectives and strategies and how the results relate to them.

Planning and reporting should be part of an organization's ongoing operations, systems and decision-making. This suggests there is a logical flow or an inter-related "chain of events" an organization follows, from its vision, mission and mandate, to its goals, objectives and strategies, through to its performance monitoring and measuring, to its public reporting.

By monitoring performance, organizations can learn from what has happened and make adjustments to their plan. These adjustments should be reflected in the annual report as an indication to readers that the organization is aware of its successes and is planning steps, where necessary, to address any shortcomings or changes in its environment. Planning and reporting are part of a continuous cycle: the monitoring and reporting of results helps inform future planning, while the planning process sets out the intended results and the strategies to achieve them. In essence, by linking the goals and results of an organization, it will be looking forward as well as back at its performance.

The matrix is based on the following assumptions about how organizations incorporating this principle will progress:

- from not clearly identifying and explaining the linkages between goals, objectives, strategies, performance measures and targets ... to doing so
- from selecting performance measures because they are readily available (e.g., emphasis on inputs, outputs and milestones) ... to reporting measures that reflect the organization's few, critical areas of performance (e.g., emphasis on outcomes)
- from reporting too little ... to too much ... to just the right amount of performance information (Prescribing the exact number of measures to report would be misguided. However, many large and complex organizations have been able to distil the essential elements of their performance down to 20–25 measures, or fewer)

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- from reporting basic inputs and outputs ... to reporting on outcomes in the short and long term
- from not identifying variances between planned and actual performance ... to providing full explanations for performance variances and what will be done in the future as a result

Principle 2 – Linking goals and results			
Start-up	**In Process**	**Fundamentals In Place**	**Fully Incorporated**
Chain of events, or management framework The report identifies the goals and objectives of the organization. However the reported performance measures may seem to be an ad hoc collection, with unclear linkages to the organizations goals and objectives.	There are clear linkages between the goals & objectives, and they are consistent with the organization's mission and public purpose. The report does not make clear some of the linkages between mission or mandate, goals, objectives, strategies and performance measures. As a result, there may be gaps in the integration between what the organization wants to achieve, what it does and how it measures its progress is unclear.	The report fully explains the links between vision, mission and mandate, to its goals, objectives and strategies, through to its performance monitoring and measuring and concluding with its public reporting. The report explains why performance measures are relevant to the organization's goals and objectives.	

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- from reporting basic inputs and outputs ... to reporting on outcomes in the short and long term
- from not identifying variances between planned and actual performance ... to providing full explanations for performance variances and what will be done in the future as a result

Principle 2 — Linking goals and results

Start-up	In Process	Fundamentals In Place	Fully Incorporated
Chain of events, or management framework			
The report identifies the goals and objectives of the organization. However the reported performance measures may seem to be an ad hoc collection, with unclear linkages to the organizations goals and objectives.	There are clear linkages between the goals & objectives, and they are consistent with the organization's mission and public purpose. The report does not make clear some of the linkages between mission or mandate, goals, objectives, strategies and performance measures. As a result, there may be gaps in the integration between what the organization wants to achieve, what it does and how it measures its progress is unclear.	The report fully explains the links between vision, mission and mandate, to its goals, objectives and strategies, through to its performance monitoring and measuring and concluding with its public reporting. The report explains why performance measures are relevant to the organization's goals and objectives.	

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Principle 2 — Linking goals and results			
Start-up	**In Process**	**Fundamentals In Place**	**Fully Incorporated**
Nature of performance measures			
The report may not contain any performance measures or only those that are readily available such as inputs (e.g., dollars spent), simple outputs (e.g., number of courses provided) or the completion of specific activities (e.g., the installation of systems).	The report provides measures for each of its objectives. Performance measures go beyond just inputs and simple outputs towards including more informative outputs (such as efficiency, timeliness).	Performance measurement now focuses on the full range of issues that concern the public and legislators, including outputs (quantity, timeliness and efficiency) some short-term outcomes (the immediate impacts of its activities). However, the report may still contain a large assortment of measures, encompassing both outputs and outcomes, possibly presented in too much detail.	The report contains good short and long-term performance measures. The organization explains how short-term achievements affect long-term goals, including plausible explanations of how the organization's actions resulted in these short-term results, and how these results contribute towards long-term outcomes (reasonable attribution). The contribution of other players and external factors is also disclosed. If the organization relies on an alternate delivery system such as contractors or public/private partnerships, the report describes the performance of the overall system.
Variances between planned & actual results			
Not identified	Variances between planned & actual results are identified, but not explained.	The report explains variances between planned and actual results. Reference may be made to plans for the future, but often this is simply a restatement of the service plan rather than an informed discussion of what adjustments the organization intends to make to reflect what it has learned from past performance.	The report explains variances between planned and actual results, and what the organization intends to do in the future as a result of the variance.

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Principle 2—Linking goals and results			
Start-up	**In Process**	**Fundamentals In Place**	**Fully Incorporated**
Nature of performance measures The report may not contain any performance measures or only those that are readily available such as inputs (e.g., dollars spent), simple outputs (e.g., number of courses provided) or the completion of specific activities (e.g., the installation of systems).	The report provides measures for each of its objectives. Performance measures go beyond just inputs and simple outputs towards including more informative outputs (such as efficiency, timeliness).	Performance measurement now focuses on the full range of issues that concern the public and legislators, including outputs (quantity, timeliness and efficiency) some short-term outcomes (the immediate impacts of its activities). However, the report may still contain a large assortment of measures, encompassing both outputs and outcomes, possibly presented in too much detail.	The report contains good short and long-term performance measures. The organization explains how short-term achievements affect long-term goals, including plausible explanations of how the organization's actions resulted in these short-term results, and how these results contribute towards long-term outcomes (reasonable attribution). The contribution of other players and external factors is also disclosed. If the organization relies on an alternate delivery system such as contractors or public/private partnerships, the report describes the performance of the overall system.
Variances between planned & actual results Not identified	Variances between planned & actual results are identified, but not explained.	The report explains variances between planned and actual results. Reference may be made to plans for the future, but often this is simply a restatement of the service plan rather than an informed discussion of what adjustments the organization intends to make to reflect what it has learned from past performance.	The report explains variances between planned and actual results, and what the organization intends to do in the future as a result of the variance.

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Principle 3
Focus on the few, critical aspects of performance

Public performance reporting should focus on the few, critical aspects of performance.

This principle reflects the interest of the audience in the larger, overall picture. Few means that the number of goals, objectives and particularly performance measures described are limited in number in the published documents that are directed to legislators and the public. **Critical aspects of performance** address significance, relevance and the focus on results. What is critical is determined, in part, by:

- what is important to the intended users—hence, the focus of reporting should be driven by the likely use of the information as much as by government's obligation to report;
- aspects of performance that the government judges as critical to the organization's success; and
- what is vital to the organization as reflected in its goals, objectives and intended versus actual results.

The matrix is based on the following assumptions about how organizations incorporating this principle will progress:

- from not being clear why reported information is important ... to clearly presenting why goals, objectives and performance measures are important to the public and legislators
- in conjunction with Principle 2, from reporting too little ... to too much ... to just the right amount of performance information
- from trying to satisfy both internal and external stakeholders ... to focusing reporting on the few critical aspects of performance that are of interest to an external audience
- from not linking to government-wide priorities ... to addressing what's important at the overall corporate level as reflected in the government's strategic plan

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Principle 3 – Linking goals and results

Start-up	In Process	Fundamentals In Place	Fully Incorporated
Goals and objectives It is not clear from the report that the organization selected the goals and objectives that are important to the public and legislators, and to the achievement of its purpose or vision.	The report has begun to focus on the goals and objectives that are critical to the organization's stakeholders and to achieving its purpose or vision.	The report clearly states why goals, objectives and measures are important, and what achieving them means to the public and legislators. The report explains what's critical to the organization in achieving its goals and objectives.	The organization's goals, objectives and results are clearly presented and are not obscured by unnecessary detail or complexity.
Performance measures It's not clear that the information being reported is relevant to an external audience. As assessed under Principle 2, the reports may not contain any performance measures or only those that are readily available such as inputs (e.g., dollars spent), simple outputs (e.g., number of courses provided) or the completion of specific activities (e.g., the installation of systems). These measures are inward-looking and are not likely to be among the "few, critical aspects of performance" that legislators and public would use to judge the organization's success.	The report contains a wider array of performance information than in start-up, but is missing measures related to some critical goals or objectives. Consequently, it provides only some of the "few critical aspects of performance" that legislators and the public would use to judge the organization's success.	Reports at this stage contain the "few critical aspects" of performance. But, as assessed under Principle 2, the report may still contain a large assortment of measures, encompassing both outputs and outcomes, possibly presented in too much detail or geared towards satisfying many diverse stakeholder groups, rather than focusing solely on telling a coherent performance story to an external audience. Key results (financial and non-financial) are clear and readily apparent.	Performance measures are reported at a level that is meaningful to users. It is clear from the context provided that all the performance information presented, including the performance measures, help tell a clear, concise and complete performance story. The organization has focused its reporting on the areas of importance to its stakeholders and to its purpose or vision.
Government-wide priorities & other sources of information Not linked.	The report explains how the organization's performance is linked to government-wide direction.	The report address what's important to the government at the overall corporate level as reflected in the government's strategic plan.	The report makes appropriate reference to companion documents providing more detail (e.g. service plans, risk assessments, etc), and where they can be accessed.

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Principle 3—Linking goals and results			
Start-up	**In Process**	**Fundamentals In Place**	**Fully Incorporated**
Goals and objectives It is not clear from the report that the organization selected the goals and objectives that are important to the public and legislators, and to the achievement of its purpose or vision.	The report has begun to focus on the goals and objectives that are critical to the organization's stakeholders and to achieving its purpose or vision.	The report clearly states why goals, objectives and measures are important, and what achieving them means to the public and legislators. The report explains what's critical to the organization in achieving its goals and objectives.	The organization's goals, objectives and results are clearly presented and are not obscured by unnecessary detail or complexity.
Performance measures It's not clear that the information being reported is relevant to an external audience. As assessed under Principle 2, the reports may not contain any performance measures or only those that are readily available such as inputs (e.g., dollars spent), simple outputs (e.g., number of courses provided) or the completion of specific activities (e.g., the installation of systems). These measures are inward-looking and are not likely to be among the "few, critical aspects of performance" that legislators and public would use to judge the organization's success.	The report contains a wider array of performance information than in start-up, but is missing measures related to some critical goals or objectives. Consequently, it provides only some of the "few critical aspects of performance" that legislators and the public would use to judge the organization's success.	Reports at this stage contain the "few critical aspects" of performance. But, as assessed under Principle 2, the report may still contain a large assortment of measures, encompassing both outputs and outcomes, possibly presented in too much detail or geared towards satisfying many diverse stakeholder groups, rather than focusing solely on telling a coherent performance story to an external audience. Key results (financial and non-financial) are clear and readily apparent.	Performance measures are reported at a level that is meaningful to users. It is clear from the context provided that all the performance information presented, including the performance measures, help tell a clear, concise and complete performance story. The organization has focused its reporting on the areas of importance to its stakeholders and to its purpose or vision.
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Appendix B

Principle 4
Presenting results in the context of risk and capacity

Good performance reporting should report results in the context of an organization's risks and its capacity to deliver on its programs, products and services.

Risk is "the chance of something happening that will have an impact upon objectives. It is measured in terms of consequences and likelihood." Risk management is an integral facet of all business processes.

Capacity refers to the ability of an organization to achieve its intended results into the future. Put another way, "a capable organization is one that can continue to do what it does currently, and is flexible enough to do what is required in the future."

In practical terms, capacity is the appropriate combination of authority, funding, people, and infrastructure (including assets, systems and processes) that will allow an organization to achieve its intended results over the long term. This encompasses such matters as:

- Leadership and Direction
- People
- Tangible Assets
- Resources
- Reputation

Capacity building is typically the response to an organization's risk assessment.

Reporting would:

- identify significant risks and their tolerability;
- identify specific dimensions of capacity involved—risk treatment and monitoring;
- explain their importance to the organization's mission, goals or results; and
- describe the steps being taken to adjust capacity and/or expectations; or
- where capacity is not a consideration, provide a representation to that effect

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What is appropriate will depend on the public purpose to be served by the organization and the resources available to it.

Risk and capacity can be discussed individually or as an integrated topic. Discussions about risk and capacity may be presented as a separate heading in the report, or can be integrated into the presentation of key aspects of performance. While the service plan provides a discussion of the risk and capacity issues that are key to the organization, the annual service plan report summarizes this information, focusing primarily on those risk and capacity factors which actually had an impact on performance.

The matrix is based on the following assumptions about how organizations incorporating this principle will progress:

- from reporting only a few risks ... to reporting on the key risks related to achieving the organization's objectives
- from not reporting the strategies employed to manage risks, the impact of risk on results, and the tolerance for risks ... to doing so
- from reporting very little on capacity ... to describing the state of capacity
- from not explaining whether or not the organization had the capacity to meet its objectives and what changes it is planning to build capacity to meet future objectives — to doing so

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Principle 4—Presenting results in the context of risk and capacity			
Start-up	**In Process**	**Fundamentals in Place**	**Fully Incorporated**
Risk The report identifies some risks (both threats and opportunities) in the organization's internal and external operating environments, but does not adequately describe how these risks impacted performance results or influenced the choice of strategies.	The report describes key risks in the internal and external operating environment (including critical capacity issues) and their expected impact on the organization.	The report summarizes the key risks faced by the organization, and the strategies for prioritizing and dealing with them. The report explains how risk management affected results. The report summarizes the impact of its strategies and actions in managing risks or on capitalizing on its opportunities.	The report briefly explains how key risks influenced choices concerning goals, objectives and strategies for delivering programs and services. It not only describes key risks and their impacts, but also the organization's tolerability for risk.
Capacity The report does not, in any meaningful way, describe the organization's current capacity nor how capacity affected its results. Existing resources are described (e.g., number of full time equivalents, funding available), but without any reference to whether these resources were sufficient to meet either past or future objectives.	The report describes the current status of key areas of capacity, which may include performance information related to capacity (e.g., absenteeism rates and the completion of information systems).	The report explains how capacity affected by the results achieved, including the capacity of partners or the private sector.	The report identifies critical areas where the organization needs to build capacity in order to succeed in the long term. Where there a was shift in the organization's mandate, goals, strategies and/or program delivery since the last report, the report explains what the consequences have been or will likely be on the organization's ability to deliver results in the future. The report states whether or not the organization has the necessary funds, infrastructure and people in place to meet it objectives.

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Principle 4 — Presenting results in the context of risk and capacity

Start-up	In Process	Fundamentals In Place	Fully Incorporated
Risk The report identifies some risks (both threats and opportunities) in the organization's internal and external operating environments, but does not adequately describe how these risks impacted performance results or influenced the choice of strategies.	The report describes key risks in the internal and external operating environment (including critical capacity issues) and their expected impact on the organization.	The report summarizes the key risks faced by the organization, and the strategies for prioritizing and dealing with them. The report explains how risk management affected results. The report summarizes the impact of its strategies and actions in managing risks or on capitalizing on its opportunities.	The report briefly explains how key risks influenced choices concerning goals, objectives and strategies for delivering programs and services. It not only describes key risks and their impacts, but also the organization's tolerability for risk.
Capacity The report does not, in any meaningful way, describe the organization's current capacity nor how capacity affected its results. Existing resources are described (e.g., number of full time equivalents, funding available), but without any reference to whether these resources were sufficient to meet either past or future objectives.	The report describes the current status of key areas of capacity, which may include performance information related to capacity (e.g., absenteeism rates and the completion of information systems).	The report explains how capacity affected by the results achieved, including the capacity of partners or the private sector.	The report identifies critical areas where the organization needs to build capacity in order to succeed in the long term. Where there a was shift in the organization's mandate, goals, strategies and/or program delivery since the last report, the report explains what the consequences have been or will likely be on the organization's ability to deliver results in the future. The report states whether or not the organization has the necessary funds, infrastructure and people in place to meet it objectives.

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Principle 5
Linking resources, strategies and results

Public performance reporting should link financial and performance information to show how resources and strategies influence results. Related to this is how efficiently the organization achieves its results.

This principle is directed at understanding the link between financial and human resources and the organization's performance. It views funding as a means to an end—more specifically, an organization's ability to deliver on its plan—but also recognizes funding as a critical element in an organization's ability to manage its risks and continue operations. Thus linking financial and operational goals, objectives and results is important to any public sector organization.

The matrix is based on the following assumptions about how organizations incorporating this principle will progress:

- from reporting only basic financial information such as financial statements and budgets ... to showing how resources are linked to strategic direction
- from providing only overall financial information ... to describing how funding is linked to core business areas, goals, objectives, strategies or results.
- from not being able to show how efficiently the organization is able to deliver its program or services ... to showing this (e.g., linking inputs to outputs).

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Principle 5 — Linking resources, strategies and results			
Start-up	**In Process**	**Fundamentals In Place**	**Fully Incorporated**
Financial information The report contains basic financial information, such as financial statements in the case of Crown corporations, planned vs. actual for ministries. Variances are identified.	Financial information is supported by a discussion and analysis from management. The report explains key financial variances – what happened and why. The report provides key financial trend information, such as for expenditures. The report explains how current funding compares to past and forecast funding. The report makes clear the nature of funding (fees, grants, appropriations, etc, and sources), and explains key revenue generating activities.	The report explains planned and actual costs in terms of: ■ core business areas (for example, by program, products of services); ■ key goals, objectives, strategies; or ■ results achieved. Any changes in funding that affected the achievement of planned performance targets are explained.	Overall, it is clear how funding is linked to: goals, objectives, strategies, and actual results. Explanations of key financial variances are supplemented with explanations of the adjustments the organization will be making in the future. The report outlines the organization's strategy should levels of funding change in the future.
Linking financial and non-financial information There is no linkage between financial and other performance information.	The report begins to make linkages between financial and other performance information by reporting on some measures of output efficiency or linking resources to some programs, strategies, activities or business lines. However, the information may not be sufficiently explained so that readers can understand what it is supposed to be telling them.	The report identifies critical measures of efficiency.	Resources (inputs such as dollars and FTEs) are linked to volume/units of service (outputs) in a way that helps the reader understand the efficiency and economy of the operations.

Appendix B

Principle 5 – Linking resources, strategies and results

Start-up	In Process	Fundamentals In Place	Fully Incorporated
Financial information			
The report contains basic financial information, such as financial statements in the case of Crown corporations, planned vs. actual for ministries. Variances are identified.	Financial information is supported by a discussion and analysis from management. The report explains key financial variances - what happened and why. The report provides key financial trend information, such as for expenditures. The report explains how current funding compares to past and forecast funding. The report makes clear the nature of funding (fees, grants, appropriations, etc, and sources), and explains key revenue generating activities.	The report explains planned and actual costs in terms of: ■ core business areas (for example, by program, products of services); ■ key goals, objectives, strategies; or ■ results achieved. Any changes in funding that affected the achievement of planned performance targets are explained.	Overall, it is clear how funding is linked to: goals, objectives, strategies, and actual results. Explanations of key financial variances are supplemented with explanations of the adjustments the organization will be making in the future. The report outlines the organization's strategy should levels of funding change in the future.
Linking financial and non-financial information			
There is no linkage between financial and other performance information.	The report begins to make linkages between financial and other performance information by reporting on some measures of output efficiency or linking resources to some programs, strategies, activities or business lines. However, the information may not be sufficiently explained so that readers can understand what it is supposed to be telling them.	The report identifies critical measures of efficiency.	Resources (inputs such as dollars and FTEs) are linked to volume/units of service (outputs) in a way that helps the reader understand the efficiency and economy of the operations.

Appendix B

Principle 6
Providing comparative information

Public performance reporting should provide comparative information about past and expected future performance and about the performance of similar organizations when it would significantly enhance a reader's ability to use the information being reported.

Comparability refers to the ability to compare information about an organization's performance with:

- relevant baseline information drawn from previous periods. and/or internal/external benchmarks drawn from other organizations, statutory regulation and/or non-statutory norms
- Comparative information puts the organization's performance in context, allowing a reader to judge:
- whether an organization's performance is improving, deteriorating or remaining unchanged; and
- whether targets are ambitious, mediocre or attainable.

To allow for comparisons, there must be consistency in the way information is measured and presented. This includes consistency in the organization's form and content of reporting over time. It should also allow for comparisons with similar organizations (covered in Principle 3).

The matrix is based on the following assumptions about how organizations incorporating this principle will progress:

- from not reporting results in relation to planned performance ... to doing so
- from reporting little historical information ... to providing long-term trends for most performance information and explaining what the reader should understand from the trends and benchmarks presented
- from reporting no comparisons to similar organizations or industry standards ... to reporting as much of this as is possible and informative
- from not explaining data inconsistencies ... to doing so
- from not using trend information to inform future performance expectations ... to doing so

Appendix B

Principle 6 – Providing comparative information			
Start-up	**In Process**	**Fundamentals In Place**	**Fully Incorporated**
Consistency between plan and report In the start-up phase actual performance may not be reported in relation to the service plan. Significant changes in strategic direction since the plan was produced may not be explained. Many performance measures and targets may be missing.	Actual performance is clearly reported in relation to the service plan. Results are reported in relation to the goals, objectives and performance measures outlined in the plan. There is sufficient consistency in the format and structure of the plan and report to allow readers to understand the connection between the two documents.	The report contains relevant economic, social or demographic information to put its results into context (e.g. an environmental scan).	
Historical comparisons & benchmarks Reports in the start-up phase will have very limited historical results information against which to compare current performance. The report provides either historical for only a few measures, or no historical information at all. Current performance is not compared to benchmarks from similar organizations or industry standards.	Reports at this stage have one year of baseline information for most measures to compare results against. The report will also begin comparing performance against a few, easy to access benchmarks (performance of similar organizations or industry standards). However, the report may lack explanations of what the reader is expected to learn from the trends and benchmarks being presented, or the usefulness of the benchmarks may be questionable. There may be some year-over-year data inconsistencies (e.g., earlier data was collected using a different methodology), and this may not be explained.	For most performance measures, the report contains sufficient information to judge the organization's performance relative to past performance, allowing the reader to understand whether performance is improving, deteriorating or remaining unchanged. Where available and relevant, the report includes benchmark information of other organizations in the same sector or industry; industry standards, or best practices. Any year-over-year data inconsistencies that could impact a reader's under-standing of trends comparisons are fully explained. Future performance targets may be presented but these may appear to be simply a restatement of the service plan rather than a reflection of what has been learned from examining trends.	The report demonstrates that the organization is making use of comprehensive historical and benchmark data to inform future plans. The report contains multi-year trend data for funding, outputs and outcomes, and these trends are related to expectations for future performance.

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Principle 6 – Providing comparative information

Start-up	In Process	Fundamentals In Place	Fully Incorporated
Consistency between plan and report In the start-up phase actual performance may not be reported in relation to the service plan. Significant changes in strategic direction since the plan was produced may not be explained. Many performance measures and targets may be missing.	Actual performance is clearly reported in relation to the service plan. Results are reported in relation to the goals, objectives and performance measures outlined in the plan. There is sufficient consistency in the format and structure of the plan and report to allow readers to understand the connection between the two documents.	The report contains relevant economic, social or demographic information to put its results into context (e.g. an environmental scan).	
Historical comparisons & benchmarks Reports in the start-up phase will have very limited historical results information against which to compare current performance. The report provides either historical for only a few measures, or no historical information at all. Current performance is not compared to benchmarks from similar organizations or industry standards.	Reports at this stage have one year of baseline information for most measures to compare results against. The report will also begin comparing performance against a few, easy to access benchmarks (performance of similar organizations or industry standards). However, the report may lack explanations of what the reader is expected to learn from the trends and benchmarks being presented, or the usefulness of the benchmarks may be questionable. There may be some year-over-year data inconsistencies (e.g., earlier data was collected using a different methodology), and this may not be explained.	For most performance measures, the report contains sufficient information to judge the organization's performance relative to past performance, allowing the reader to understand whether performance is improving, deteriorating or remaining unchanged. Where available and relevant, the report includes benchmark information of other organizations in the same sector or industry; industry standards, or best practices. Any year-over-year data inconsistencies that could impact a reader's under-standing of trends comparisons are fully explained. Future performance targets may be presented but these may appear to be simply a restatement of the service plan rather than a reflection of what has been learned from examining trends.	The report demonstrates that the organization is making use of comprehensive historical and benchmark data to inform future plans. The report contains multi-year trend data for funding, outputs and outcomes, and these trends are related to expectations for future performance.

Appendix B

Principle 7
Present credible information, fairly interpreted

Public performance reporting should be credible—that is, based on quantitative and qualitative information that is fairly interpreted and presented, based on the best judgement of those reporting.

The information presented should strike a balance among the following attributes:

Consistency – means measuring and presenting information consistently from one period to the next, and clearly explaining any breaks in the consistency of reported information.

Fairness – means the information is honestly reported and is neutral or free from bias, with checks and balances against subjectivity.

Relevance – means that information relates to the organization's objectives and the extent to which results are achieved. Results should deal with effectiveness, efficiency and costs.

Reliable – means the information is, in all significant respects, complete or free from significant omissions. Reliable also means the information is reasonably accurate or free from material error. "Reasonably accurate" refers to the cost-benefit of producing reliable information.

Verifiable – means the information can be reproduced or traced and independently verified.

Understandable – means the reporting avoids jargon and vagueness, and is succinct. The information is presented in a format and using language that helps the reader appreciate its significance.

Timely – means received in sufficient time to inform decision making. Timeliness for management means information is available for management decision making on a routine basis. Timeliness for legislators and the public means meeting legislated public reporting timeframe commitments that are designed to inform future policy decisions.

This principle suggests that performance information should reflect a number of different attributes. The following attributes are covered elsewhere in the matrix:

- **consistency** – this attribute is mentioned in many principles but it's primarily covered under Principle 6 (comparative information)
- **fairness** – this attribute is also mentioned in many principles but is primarily covered in Principles 3 and 8 (few critical aspects of performance, disclose key reporting judgements)
- **relevance** – this attribute is assessed from various perspectives in all of the principles.

The matrix is based on the following assumptions about how organizations incorporating this principle will progress:

- **reliable and verifiable** – from an absence of system controls and documentation supporting reported information ... to well documented systems, sound controls and sufficient, appropriate supporting documentation
- **understandable** – from providing reports that are lacking information or difficult to read and full of jargon ... to providing reports that tell a performance story that is easy to understand
- **timely** – this attribute is not assessed across the continuum: organizations either meet the statutory obligations prescribed by the Budget Transparency and Accountability Act or not

Appendix B

Principle 7 – Present credible information, fairly interpreted

Start-up	In Process	Fundamentals In Place	Fully Incorporated
Reliable and verifiable – Reported data is a by-product of other systems, prepared on one-off basis for external reporting. There may be minimal supporting documentation. The organization has not ascertained the reliability of data produced by third parties. There is either no reference to the source of information obtained from third parties, or the reliability of such third-party data has not been ascertained.	*Reliable and verifiable* – Data used in public reporting is prepared for periodic review by management. Systems for producing management information may not be well established and are not well documented. Some supporting documentation exists, but may not be complete. Information obtained from third parties is identified, but its quality may not have been assessed.	*Reliable and verifiable* – Systems for producing reported data have been established and documented, although controls may not be complete. There is sufficient and appropriate documentation supporting reported performance information. The quality of information obtained from third parties has been assessed and is appropriately disclosed.	*Reliable and verifiable* – Internally generated data is produced by well documented systems, internal controls are in place and appear reasonable.
Understandable – There is an overall lack of meaningful information and a "bare bones" or confusing presentation (no graphs or other useful ways of presenting data).	*Understandable* – Report is more user-friendly, beginning to employ graphs, charts and tables to illustrate information. Specialized terminology is explained (e.g., in a glossary). However, vague language may make it difficult to understand the performance story the organization is trying to tell.	*Understandable* – The report is easy to read, with information presented in graphs, charts and tables. Specialized terminology is avoided where possible but explained if necessary. The report might be too long – containing so much information that it is difficult for the reader to identify what aspects of performance are the most significant. *Timely* – Report is produced according to the reporting and tabling deadlines prescribed in the BTAA.	*Understandable* – Fully developed reports are useful to readers because they are concise yet packed full of meaningful information.

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Principle 7 – Present credible information, fairly interpreted			
Start-up	**In Process**	**Fundamentals In Place**	**Fully Incorporated**
Reliable and verifiable – Reported data is a by-product of other systems, prepared on one-off basis for external reporting. There may be minimal supporting documentation. The organization has not ascertained the reliability of data produced by third parties. There is either no reference to the source of information obtained from third parties, or the reliability of such third-party data has not been ascertained.	*Reliable and verifiable* – Data used in public reporting is prepared for periodic review by management. Systems for producing management information may not be well established and are not well documented. Some supporting documentation exists, but may not be complete. Information obtained from third parties is identified, but its quality may not have been assessed.	*Reliable and verifiable* – Systems for producing reported data have been established and documented, although controls may not be complete. There is sufficient and appropriate documentation supporting reported performance information. The quality of information obtained from third parties has been assessed and is appropriately disclosed.	*Reliable and verifiable* – Internally generated data is produced by well documented systems, internal controls are in place and appear reasonable.
Understandable – There is an overall lack of meaningful information and a "bare bones" or confusing presentation (no graphs or other useful ways of presenting data).	*Understandable* – Report is more user-friendly, beginning to employ graphs, charts and tables to illustrate information. Specialized terminology is explained (e.g., in a glossary). However, vague language may make it difficult to understand the performance story the organization is trying to tell.	*Understandable* – The report is easy to read, with information presented in graphs, charts and tables. Specialized terminology is avoided where possible but explained if necessary. The report might be too long – containing so much information that it is difficult for the reader to identify what aspects of performance are the most significant. *Timely* – Report is produced according to the reporting and tabling deadlines prescribed in the BTAA.	*Understandable* – Fully developed reports are useful to readers because they are concise yet packed full of meaningful information.

Appendix B

Principle 8
Disclosing key reporting judgements

Public performance reporting should disclose the basis on which information has been prepared and the limitations that should apply to its use.

In particular, public performance reports should explain:

- the basis for selecting the few, critical aspects of performance on which to focus;
- changes in the way performance is measured or presented compared to previous year(s);
- the rationale for choosing the performance measures (recognizing, for example, that meaningful quantitative measures may not be easy to identify for some programs);
- the means of providing assurance on the veracity and completeness of information presented; this may mean external validation, such as through studies done on a national basis comparing provinces or through independent assurance; and
- the basis on which those responsible for the report hold confidence in the reliability of the information being reported.

The matrix is based on the following assumptions about how organizations incorporating this principle will progress:

- from not explaining why the performance information being presented is important ... to doing so
- from not explaining how performance information should be interpreted ... to doing so and also explaining why the reader should have confidence in the interpretation
- from not adequately explaining changes in measuring or reporting ... to doing so
- from not providing sufficient information on data reliability and limitations — to doing so by including data sources, reporting date(s) and discussions on the limitations of the data
- from not affirming management's responsibility for the information — to management affirming its ownership of the report and describing its confidence in the information

Appendix B

Principle 8 – Disclosing key reporting judgements

Start-up	In Process	Fundamentals In Place	Fully Incorporated
How performance is measured			
The report explains how performance measures are compiled. But it may not explain why the organization has chosen to focus on the aspects that it has (e.g., its goals and objectives), or why it has chosen the measures it has.	The report identifies sources of information and describes why the organization chose its goals, objectives and performance measures. Performance measures may change in response to experience or changing circumstances. Explanations for changes, however, are not provided.	The report identifies the sources of information, including a concise explanation of how measures are derived and the period data applies to. Reports in this stage explain how performance targets were selected (basis for selecting the few critical things) and why the reader should have confidence in the reliability of the information. Where changes have been made since the prior year, the report clearly explains the reasons for changes to goals, objectives or performance measures.	
Management's interpretation of results and confidence in information			
The report presents its results, but doesn't provide an interpretation of what it all means, leaving it up to the reader to infer.	Management publicly affirms its responsibility for the contents of the report. Reports in this stage contain management's interpretation of the results. Where information is incomplete (e.g., a performance measure has been identified but no result is reported), the report provides either a baseline or indicates when the information will be available.	Management describes why it is confident that the data is relevant and reliable. The interpretation of results is reasonable, reporting both successes and shortcomings in a balanced way. Management further discloses any limitations or uncertainties in the information presented and the steps taken to validate the data.	Performance information has been corroborated to other sources to ensure its validity or has been verified by independent parties.

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Principle 8—Disclosing key reporting judgements			
Start-up	**In Process**	**Fundamentals In Place**	**Fully Incorporated**
How performance is measured The report explains how performance measures are compiled. But it may not explain why the organization has chosen to focus on the aspects that it has (e.g., its goals and objectives), or why it has chosen the measures it has.	The report identifies sources of information and describes why the organization chose its goals, objectives and performance measures. Performance measures may change in response to experience or changing circumstances. Explanations for changes, however, are not provided.	The report identifies the sources of information, including a concise explanation of how measures are derived and the period data applies to. Reports in this stage explain how performance targets were selected (basis for selecting the few critical things) and why the reader should have confidence in the reliability of the information. Where changes have been made since the prior year, the report clearly explains the reasons for changes to goals, objectives or performance measures.	
Management's interpretation of results and confidence in information The report presents its results, but doesn't provide an interpretation of what it all means, leaving it up to the reader to infer.	Management publicly affirms its responsibility for the contents of the report. Reports in this stage contain management's interpretation of the results. Where information is incomplete (e.g., a performance measure has been identified but no result is reported), the report provides either a baseline or indicates when the information will be available.	Management describes why it is confident that the data is relevant and reliable. The interpretation of results is reasonable, reporting both successes and shortcomings in a balanced way. Management further discloses any limitations or uncertainties in the information presented and the steps taken to validate the data.	Performance information has been corroborated to other sources to ensure its validity or has been verified by independent parties.

Office of the Auditor General: 2005/06 reports issued to date

Report 1 — April 2005
Follow-up of the Recommendations of the Select Standing Committee on Public Accounts contained in its Fourth Report of the 3rd Session of the 36th Parliament: Earthquake; Performance Audit

Report 2 — May 2005
Joint Follow-up of 2001/2002: Report 1 Managing Interface Fire Risks and Firestorm 2003 Provincial Review

Report 3 — June 2005
Audit of the Government's Corporate Accounting System: Part 1

Report 4 — July 2005
Building Better Reports: Our Assessment of the 2003/04 Annual Service Plan Reports of Government

Report 5 — July 2005
Keeping the Decks Clean:
Managing Gaming Integrity Risks in Casinos

Report 6 — November 2005
Monitoring the Government's Finances
Province of British Columbia

Report 7 — March 2006
Follow-up of 2003/04 Report 4: Alternative Payments to Physicians: A Program in Need of Change

Report 8 — March 2006
Managing PharmaCare: Slow Progress Towards Cost-Effective Drug Use and a Sustainable Program

Report 9 — March 2006
Leading the Way — Adopting Best Practices in Financial Reporting 2004/05

Report 10 — March 2006
Building Better Reports: Our Assessment of the 2004/05 Annual Service Plan Reports of Government

This report and others are available on our website at http://www.bcauditor.com